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BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

**NOTICE OF FILING AND HEARING
DOCKET NO. 2005-113-G**

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COMM. CLERK

**APPLICATION OF SOUTH CAROLINA ELECTRIC & GAS COMPANY FOR
AN ADJUSTMENT OF ITS RATES AND CHARGES FOR NATURAL GAS
SERVICE, FOR NEW DEPRECIATION RATES AND CHANGES IN ITS TERMS
AND CONDITIONS OF SERVICE**

On April 26, 2005, South Carolina Electric & Gas Company (Applicant) filed an Application with the Public Service Commission of South Carolina (Commission) proposing changes in its rates, charges, and tariffs for natural gas service and proposing approval of new depreciation rates for its gas system. The Application proposes that the new rates be effective for bills rendered on or after November 1, 2005. The Application proposes an overall increase in revenues of \$28,482,731 or 7.09%. In addition, the Application proposes a new mechanism for accounting for revenues from interruptible industrial customers and capacity release transactions, new rates, a new rate design, and changes in its general terms and condition. The Application includes both a proposed and an alternative rate design and proposes closing gas lighting and gas air conditioning rates to new installations. The Application includes two new rates. The Residential Value Service Rate would apply to residential customers using 10 therms or more on average during the months of June, July and August. The Medium General Service Rate would apply to commercial, industrial, agricultural, religious and charitable customers with an average usage of 130 therms or more during that period. The General Service rate will

apply to other commercial, industrial, agricultural, religious and charitable customers.

The Application was filed pursuant to S.C. Code Ann. Section 58-5-240 (1976), as amended and 26 S.C. Code Ann. Reg. 103-834, as amended, of the Public Service Commission of South Carolina's Rules of Practice and Procedure, and includes an election to have the rates established in this proceeding be subject to the provisions of the Natural Gas Rate Stabilization Act ("RSA"), Section 58-5-400 et seq. of the Code of Laws of South Carolina.

The Application sets forth the following information in support of the proposed rates:

1. The Applicant has not filed for a general increase in its base rates for natural gas service since 1989. In the intervening 16 years, the Applicant has continued to invest in its gas lines and other infrastructure to ensure that it can provide safe, reliable and efficient natural gas service to its customers. Since 1989, the number of customers on the Applicant's system has increased by 36% and the miles of gas mains operated by the Applicant has increased by 46%. Inflation has increased producer prices by 30% over the period, and has increased the Applicant's cost of operation.
2. The Applicant asserts that the present rates do not allow the Applicant to earn a fair return on its investment in its gas system. For the adjusted

test year ended December 31, 2004, the Company earned an overall 2.67% return on its gas operations. That return was not sufficient to recover the Company's cost of debt such that the Company's Return on Equity for the adjusted test period was a negative 1.11%.

3. The Applicant asserts that to maintain a safe, reliable and efficient gas distribution system, it must be able to access capital on reasonable terms, and compensatory rates are required to support the financial integrity of the system.

A copy of the Application and proposed rates and charges as well as the proposed terms and conditions of service, are on file in the offices of the Commission, 101 Executive Center Drive, Columbia, South Carolina, 29201, and the business offices of the Applicant. Exhibit A to this notice identifies the proposed and alternative rates and charges.

In order for testimony and evidence to be received from all interested parties, a public hearing will be held in the Commission's Hearing Room, at the address listed above, on _____, 2005 at 10:30 a.m.

Any person who wishes to testify and present evidence at the hearing concerning these matters should notify, in writing, the undersigned, and Mrs. Catherine Taylor, Associate General Counsel, South Carolina Electric & Gas, Columbia, South Carolina, 29218 on or before _____, 2005. Please refer to Docket No. 2005-113-G.

Any person who wishes to participate in the hearing as a party of record with the right of cross-examination should file a Petition to Intervene in accordance with the Commission's Rules of Practice and Procedure, on or before June ___, 2005.

Persons seeking information concerning the Commission's Practice and Procedure should contact the Commission in Columbia at (803) 896-5115.

Charles Terrini
Executive Director
Public Service Commission of
South Carolina
Post Office Drawer 11649
Columbia, South Carolina, 29211

South Carolina Electric and Gas Company
Docket No. 2005-113-G
Proposed Gas Rates

<u>Description</u>	<u>Proposed</u>	<u>Alternative</u>
Rate 31 - General Service		
Basic Facilities Charge - (Nov. - Apr.)	\$15.50	\$13.50
Basic Facilities Charge - (May-Oct.)	\$9.50	\$7.50
Per Therm Charge	\$1.23147	\$1.24398
Rate 33 - Medium General Service		
Basic Facilities Charge	\$25.00	\$16.75
Per Therm Charge	\$1.18147	\$1.19398
Rate 32V - Residential Value Service		
Basic Facilities Charge	\$8.25	\$6.00
Per Therm Charge	\$1.18972	\$1.24252
Rate 32S - Residential Standard Service		
Basic Facilities Charge - (Nov. - Apr.)	\$10.75	\$7.00
Basic Facilities Charge - (May-Oct.)	\$5.75	\$5.00
Per Therm Charge	\$1.24972	\$1.30252
Rate 34 - Large General Service		
Demand Charge - 1st 50 Dekatherms	\$10.00	\$10.00
Demand Charge - Over 50 Dekatherms	\$6.00	\$6.00
Commodity Charge Per Dekatherm	\$9.14585	\$9.14585
Rate 35 - Transportation and Standby Service		
<u>Transportation Charges</u>		
Demand Charge - 1st 50 Dekatherms	\$10.00	\$10.00
Demand Charge - Over 50 Dekatherms	\$6.00	\$6.00
Commodity Charge Per Dekatherm	\$1.59920	\$1.59920
<u>Standby Charges</u>		
Standby Demand Per Dekatherm (Nov. - Apr.)	\$6.00	\$6.00
Commodity Charge Per Dekatherm	\$9.14585	\$9.14585
Rate 36 - Gas Lighting		
Two Mantle Fixture - Monthly Fixed Charge	\$24.20	\$24.20
Three Mantle Fixture - Monthly Fixed Charge	\$32.03	\$32.03
Four Mantle Fixture - Monthly Fixed Charge	\$40.05	\$40.05
Rider to Rate 31 Specification A - Commercial Air Conditioning		
Basic Facilities Charge	\$12.50	\$10.50
Per Therm Charge - All Therms	\$0.91080	\$0.91080
Rider to Rate 31 Specification B - Commercial Air Conditioning		
Basic Facilities Charge	\$12.50	\$10.50
Per Therm Charge	\$1.23147	\$1.24398
Rider to Rate 32 Specification B - Residential Air Conditioning		
Basic Facilities Charge	\$8.25	\$6.00
Per Therm Charge - All Therms	\$1.04582	\$1.04582
Rider to Rate 34 - Large General Service Air Conditioning		
Demand Charge - 1st 50 Dekatherms	\$10.00	\$10.00
Demand Charge - Over 50 Dekatherms	\$6.00	\$6.00
Per Therm Charge - All Therms	\$0.88659	\$0.88659